

Assembly Bill No. 970

CHAPTER 343

An act to add Section 18536 to the Revenue and Taxation Code, relating to taxation.

[Approved by Governor September 20, 2006. Filed with
Secretary of State September 20, 2006.]

LEGISLATIVE COUNSEL'S DIGEST

AB 970, Torrico. Tax administration: tax returns: nonresident directors.

Existing income tax laws authorize the Franchise Tax Board to provide for the filing of a group return for electing nonresident partners, as specified.

This bill would authorize the board to provide for the filing of a group return for electing nonresident directors of a corporation, as specified, and to adjust the income of those taxpayers to properly reflect income, as provided.

The people of the State of California do enact as follows:

SECTION 1. Section 18536 is added to the Revenue and Taxation Code, to read:

18536. (a) In lieu of electing nonresident directors filing a return pursuant to Section 18501, the Franchise Tax Board may, pursuant to requirements and conditions set forth in applicable forms and instructions, provide for the filing of a group return by a corporation for electing nonresident individuals who receive wages, salaries, fees, or other compensation from that corporation for director services, including attendance of board of directors' meetings that take place in this state. The tax rate or rates applicable to each director's compensation for services performed in this state shall be the highest marginal rate or rates provided for by Part 10 (commencing with Section 17001) of Division 2 and no deductions or credits should be allowed. As required by the Franchise Tax Board, the corporation, as the agent for the electing nonresident directors, shall make the payments of tax, additions to tax, interest, and penalties otherwise required to be paid by, or imposed on, the electing directors.

(b) The Franchise Tax Board may adjust the income of an electing nonresident taxpayer included in a group return filed under this section to properly reflect the income under Part 10 (commencing with Section 17001) of Division 2.

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